



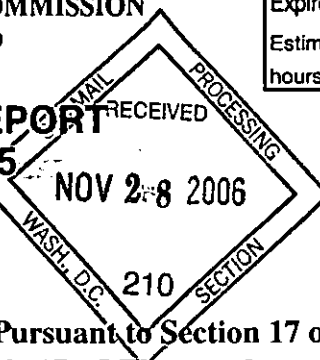
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response . . .	12.00

SEC FILE NUMBER	
8 -	51314



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Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 10/01/05 AND ENDING 09/30/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: UNX, Inc., a Delaware Corporation

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

175 E. Olive Avenue, Second Floor

(No. and Street)

Burbank

California

91502

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Guy Woelk, CFO

(818) 333-3309

(Area Code -- Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Rothstein, Kass & Company, P.C.

(Name -- if individual, state last, first, middle name)

9171 Wilshire Boulevard, Suite 500

Beverly Hills

California

90210

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions

PROCESSED

DEC 07 2006

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

Potential persons who are to respond to the collection of
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SEC 1410 (06-02)

OATH OR AFFIRMATION

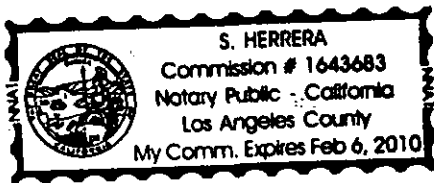
I, Guy Woelk, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of UNX, Inc., a Delaware Corporation, as of September 30, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None

[Signature]
Signature

Chief Financial Officer

Title



State of California
County of Los Angeles

} ss

Subscribed and sworn to (or affirmed) before me this 20th day of November, 2006 by Guy Woelk, who is personally known to me.

S. Herrera, Notary Public
Notary Public

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

UNX, INC., A DELAWARE CORPORATION

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Certified
Public
Accountants

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Beverly Hills
Dallas
Denver
Grand Cayman
New York
Roseland
San Francisco
Walnut Creek

Rothstein Kass

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of UNX, Inc., a Delaware Corporation:

We have audited the accompanying statement of financial condition of UNX, Inc., a Delaware Corporation (the Company), as of September 30, 2006, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of UNX, Inc., a Delaware Corporation, as of September 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

Rothstein, Kass & Company, P.C.

Beverly Hills, California
November 9, 2006

UNX, INC., A DELAWARE CORPORATION

STATEMENT OF FINANCIAL CONDITION

September 30, 2006

ASSETS

Cash and cash equivalents	\$ 3,633,655
Restricted cash	1,932,259
Deposit at related clearing broker	1,000,000
Receivable from related clearing broker	391,862
Receivables from broker-dealers and others	499,745
Property and equipment, net	1,113,767
Deposits, prepaid expenses, and other assets	705,788
Goodwill	13,498,801
	<u>\$ 22,775,877</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Commission rebates payable to clients	\$ 2,470,007
Accrued expenses and other liabilities	1,821,669
Accounts payable	756,029
	<u>5,047,705</u>

Commitments and contingencies

Stockholder's equity

Common stock, \$.0000001 par - 1 share authorized, issued and outstanding	1
Additional paid-in capital	45,306,286
Accumulated deficit	(27,578,115)
	<u>17,728,172</u>
Total stockholder's equity	<u>\$ 22,775,877</u>

UNX, INC., A DELAWARE CORPORATION

NOTES TO FINANCIAL STATEMENT

1. Nature of operations

The accompanying financial statements reports the accounts of UNX, Inc., a Delaware Corporation (the Company), a wholly owned subsidiary of UNX Holdings, Inc. (Holdings). The Company is a broker-dealer registered with the Securities and Exchange Commission (the SEC) and is a member of the National Association of Securities Dealers, Inc. The Company is based in Burbank, California, with a backup data center in Las Vegas, Nevada, and sales offices in San Diego, California, and New York, New York. UNX offers institutional brokerage services, including a proprietary electronic trading platform. The Company executes and clears its securities transactions on a fully disclosed basis with a clearing broker and, accordingly, is exempt from Rule 15c3-3 of the SEC under paragraph (k)(2)(i) and (k)(2)(ii).

2. Significant accounting policies

Basis of Accounting

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and in the format prescribed by Rule 17a-5 under the Securities Exchange Act of 1934 for brokers and dealers in securities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less that are not required to be segregated under federal or other regulations to be cash equivalents. At September 30, 2006, cash equivalents consist of money market accounts of \$2,021,995. The carrying value approximates fair value due to the short-term maturities of these investments.

Restricted Cash

At September 30, 2006, restricted cash consists of \$1,932,259 related to amounts due to customers participating in the Company's commission rebate program.

Deposit at Related Clearing Broker

The Company has a clearing deposit of \$1,000,000 at a related broker-dealer as of September 30, 2006.

Property and Equipment

Equipment, software, and furniture and fixtures are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Estimated useful lives range from three to seven years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

UNX, INC., A DELAWARE CORPORATION

NOTES TO FINANCIAL STATEMENT

2. Significant accounting policies (continued)

Goodwill and Other Intangibles

The Company accounts for goodwill and intangible assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 requires that goodwill and other intangible assets with indefinite useful lives be tested for impairment at least annually and written down when impaired. As of September 30, 2006, management has determined that there is no impairment to the carrying value of goodwill of \$13,498,801.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires the recognition of deferred tax assets and liabilities at tax rates expected to be in effect when these balances reverse. Future tax benefits attributable to temporary differences are recognized to the extent that realization of such benefits is more likely than not. The Company files consolidated federal and state income tax returns with Holdings.

Revenue Recognition

The Company receives commission payments for brokerage transactions conducted through various electronic trading platforms and its agency trading desks. Commissions are recognized gross of clearing charges, but net of any soft-dollar or commission recapture amounts, and are recorded on a trade date basis. The Company also receives from its clearing broker a portion of the interest income earned on introduced customer accounts. Interest earned from customer accounts is recognized and recorded when the amounts are earned and realizable. For the year ended September 30, 2006, approximately \$15,169,000 of soft-dollar/commission recapture was offset against commission income.

As of March 2006, the parent of the Company's clearing broker-dealer purchased an approximately 9.1% interest in Holdings. For the six months since the aforementioned transaction, the Company has incurred approximately \$2,242,000 in clearing expenses paid to the Company's clearing broker-dealer.

The Company provides trade execution services for clients of several introducing broker-dealers. The revenue recognized on this activity is equal to the net execution rate earned by the Company. Two introducing broker-dealers are related parties that have common ownership and directors. Related party commission revenues for the year ended September 30, 2006 were approximately \$1,921,000.

UNX, INC., A DELAWARE CORPORATION

NOTES TO FINANCIAL STATEMENT

3. Property and equipment

Property and equipment as of September 30, 2006, consist of the following:

Equipment	\$ 3,782,732
Leasehold improvements	854,136
Purchased software	634,369
Furniture and fixtures	<u>347,578</u>
	5,618,815
Accumulated depreciation and amortization	<u>(4,505,048)</u>
Total	<u>\$ 1,113,767</u>

4. Commitments and contingencies

Leases

The Company leases office space under non-cancelable operating leases. The Company has the following operating lease commitments:

Year Ending September 30th	
2007	\$ 858,938
2008	850,932
2009	753,264
2010	54,834
2011	<u>-</u>
Total	<u>\$ 2,517,968</u>

Total rental expense for the year ended September 30, 2006 was \$883,692.

Litigation

The Company has litigation arising from the normal course of business. When it is both probable that a liability has been incurred and the amount can be reasonably estimated, management has accrued for such future liability.

UNX, INC., A DELAWARE CORPORATION

NOTES TO FINANCIAL STATEMENT

5. Off-balance-sheet risk

Pursuant to clearance agreements, the Company introduces all of its securities transactions to clearing brokers on a fully disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing brokers. In accordance with the clearance agreements, the Company has agreed to indemnify the clearing brokers for losses, if any, which the clearing brokers may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing brokers monitor collateral on the customers' accounts.

6. Income taxes

Income tax expense of approximately \$17,000 for the year ended September 30, 2006 consists of the minimum required state franchise taxes.

At September 30, 2006, the Company has net deferred tax assets of approximately \$2,690,000. The Company has established a valuation allowance against 100% of deferred tax assets until it can be determined that it is more likely than not that the assets will be realized. The deferred tax assets primarily result from approximately \$19,266,000 of net operating loss carryforwards for federal tax purposes. The net operating loss carryforwards will begin to expire in 2020, and the Company's ability to utilize these amounts is subject to the ownership change rules in accordance with Internal Revenue Code Section 382. The amount of net operating losses available for the year ending September 30, 2007, will be approximately \$8,372,000.

7. Retirement plan

The Company has a defined contribution retirement plan (the Plan). Under the terms of the Plan, the Company may make discretionary matching contributions and profit-sharing contributions. During the year ended September 30, 2006, the Company did not make any contributions to the Plan.

8. Net capital requirements

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which, under the alternative standard elected by the Company, requires the maintenance of minimum net capital of \$250,000. As of September 30, 2006, the Company has net capital of \$2,106,095, which was \$1,856,095 in excess of its required net capital of \$250,000.

There are no material differences between the computation of net capital for audit purposes and the computation of net capital in the Company's unaudited Form X-17A-5, Part II-A filing as of September 30, 2006.